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**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF ARIZONA**

In re

**DESERT VALLEY STEAM  
CARPET CLEANING, LLC**

Debtor.

Chapter 11

Case No. 2:20-bk-00570-BKM

**REPLY TO ATLAS' RESPONSE TO  
DEBTOR'S OBJECTION TO ATLAS  
RESIDENTIAL, LLC's PROOF OF CLAIM 7-  
1**

Desert Valley Steam Carpet Cleaning LLC ("Debtor") hereby submits its *Reply to Atlas Residential's Response to Debtor's Objection to Atlas Residential, LLC's Proof of Claim 3-4 and 7-1* ("Atlas' Response").

**I. The Adversary Proceeding and Administrative Expense Application**

Throughout Atlas' Response, they take time to argue that some of the issues overlap with the pending resolution of the Administrative Application and Adversary Proceeding. Although there many overlapping issues in this case, the Court need not wait to resolve all the issue at a trial that will in all likelihood take place sometime in 2022. This is especially true areas of simple contract interpretation or issues that don't require extended discovery.

**II. The Deed of Trust**

"A general principle of contract law is that when parties bind themselves by a lawful contract, the terms of which are clear and unambiguous, a court must give effect to the contract as written." *Grosvenor Holdings, LC v. Figueroa*, 218 P.3d 1045, 222 Ariz. 588 (Ct. App. 2009)

1 quoting *Grubb & Ellis Mgmt. Serv., Inc. v. 407417 B.C., L.L.C.*, 213 Ariz. 83, ¶ 12, 138 P.3d 1210,  
2 1213 (App.2006). “Where the intent of the parties is expressed in clear and unambiguous language,  
3 there is no need or room for construction or interpretation and a court may not resort thereto.” *Id.*  
4 at 1050, quoting *Mining Inv. Group, L.L.C. v. Roberts*, 217 Ariz. 635, ¶ 16, 177 P.3d 1207, 1211  
5 (App.2008), quoting *Goodman v. Newzona Inv. Co.*, 101 Ariz. 470, 472, 421 P.2d 318, 320 (1966).

6  
7 Atlas argues that Debtor has no evidence to support the contention that KS Bank intended  
8 the Deed of Trust to have a maximum lien on the Property for \$275,000.00. However, Debtor does  
9 not need any extrinsic evidence of their contention. The basic and foundational principles of  
10 contract law cited above make clear that the parties to a contract are bound by the clear and  
11 unambiguous language of the contract agreed to. Here, the Deed of Trust is clear and unambiguous  
12 when it states, “MAXIMUM LIEN. The lien of this Deed of Trust shall not exceed at any one time  
13 \$275,000.00.” This is the very first line of the Deed of Trust, which KS Bank drafted. This is not  
14 some cluttered or nebulous conceptual language. Under the weight of Arizona law on contractual  
15 interpretation the parties are bound this contractual language, there is no room for court  
16 construction or interpretation. This issue does not require an evidentiary hearing to make a  
17 determination. Nor does it require depositions or Rule 2004 examinations of KS Bank, as Atlas  
18 suggests.  
19

20  
21 This issue is simply another instance of Atlas trying stymie Debtor’s reorganization  
22 attempts through extrapolated and unnecessary litigation. Debtor simply mentioned the Kansas  
23 Statute to demonstrate that the concept of a maximum lien of a deed of trust was extremely familiar  
24 territory to the party who drafted the contract.  
25

### 26 **III. The Insurance Proceeds**

27 Atlas argues they had a third option on how to use the Insurance Proceeds. Atlas argues  
the Deed of Trust allows them to apply the Insurance Proceeds to a third party under a contract for

1 repair of the Property. Atlas further alleges they engaged in such a contract with Atlas General  
2 Contracting LLC. Atlas has never produced proof that they ever paid Atlas General for any repairs  
3 of the Property and the documents disclosed reflect that they paid many unlicensed individuals  
4 directly for repairs performed (the subject of the Adversary and Administrative Claim). Debtor  
5 does not address Atlas' argument here because it is irrelevant to a determination of Atlas' secured  
6 claims. At this point, the Property and Insurance Proceeds are property of the bankruptcy estate  
7 and Atlas cannot control how they are spent. Atlas can only assert a claim that their debt is secured  
8 by the insurance proceeds. As stated by Debtor in their Objection, Atlas' only interest in the  
9 Insurance Proceeds at this point in time, is that they be applied to the amount secured by the Deed  
10 of Trust.  
11

#### 12 **IV. The Judgment Lien Claim**

##### 13 **a. Invalid Transfers**

14 Debtor believes all of the transfers made in November and December 2016 were legally  
15 invalid due to defect of the Property's description. Specifically, the transfers only listed "Lots 2  
16 and 4" while the Property is comprised and legally identified as "Lots 1, 2, 3, and 4." Accordingly,  
17 the Property always remained vested in the Debtor and it was never possible for the Judgment Lien  
18 Claim to attach.  
19

##### 20 **b. Victor Granado to the Victor L. Granado Irrevocable Trust**

21 Atlas argues the Property transfer from Victor Granado to the Victor L. Granado  
22 Irrevocable Trust is invalid under A.R.S. Section 33-401 because it was not notarized by the  
23 grantor Victor Granado. However, the document in question was in fact was notarized as to Victor  
24 Granado and Jamie Granado. The notary signature section of the Transfer is somewhat confusing  
25 in that there appear to be two separate signature verification paragraphs for the notary to sign. The  
26 first, for Victor Granado, is missing a signature line for a notary to even sign. Although the section  
27

1 is missing the date of signing, it does contain Victor's name and the notary's certification  
2 expiration date.

3  
4 The second paragraph below, for Jaimie Granado's signature, is fully filled out and  
5 notarized. The notary took down Victor Granado's identification and signature, logging his  
6 signature of the Transfer in her logbook. On these grounds, Debtor argues that the Transfer is  
7 notarized for purposes of Section 33-401. The opinions and circumstantial evidence presented by  
8 Atlas do not invalidate the Transfer by operation of law. Debtor stands by their argument that all  
9 relevant transfers comply with Section 33-401 and the Judgement Lien Claim did not attach.  
10 Debtor stands by their assertion that Atlas must take some action to invalidate a transfer before the  
11 Judgment Lien Claim would attach to the Property. Atlas cannot simply use a proof of claim filing  
12 to accomplish this and attached a lien where it did not otherwise attach before, particularly where  
13 the end result is that a portion of the Property is no longer property of the Debtor's bankruptcy  
14 estate.  
15

16 c. November 2, 2016 Transfer

17  
18 Alternatively, Debtor points out that the November 2, 2016, transfer in which Debtor  
19 purportedly transferred Lots 2 and 4 of the Property to Juanita Granado, may not have legal  
20 transferred title to her. Specifically, the name "Vincent" Granado is originally written as the party  
21 to whom the interest is being quit claimed to. However, "Vincent" has a line through it as if to  
22 strike the name out, and "Juanita" is written below. Debtor would argue that either no actual  
23 transfer occurred due to this discrepancy, Lots 2 and 4 were transferred to Vincent Granado, or the  
24 Property was transferred to both Juanita and Vincent Granado. If the lots were transferred to  
25 Vincent, then he still holds valid title to Lots 2 and 4. If the lots were transferred to both Juanita  
26 and Vincent, then the subsequent December 9, 2016, transfer to Victor Granado was invalid.  
27

Finally, if no transfer occurred then Debtor was vested in the entirety of the Property the whole

1 time. Either way, the Judgment Lien Claim would never have attached.

2  
3 **RESPECTFULLY SUBMITTED** this 16th day of April, 2021

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8 **E-FILED** this 16th day of April, 2021 with  
9 the U.S. Bankruptcy Court. **Copies**  
10 served via ECF notice, email and or U.S.  
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14 By: /s/ Rebecca Casteel  
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